TABLED DOCUMENT NO. 52 - 1 (4) TABLED ON OCT 26 2001

WORKERS' COMPENSATION BOARD OF THE NORTHWEST TERRITORIES AND NUNAVUT

2000 ANNUAL REPORT

Mission Statement

To promote accident prevention, and provide workers and employers with quality services.

Values

The Workers' Compensation Board of the Northwest Territories and Nunavut is committed to the following values:

- We treat others with fairness and respect.
- We do what we say we'll do.
- We are open and truthful in our dealings with others.
- We work hard to be the best we can be.
- We are responsive to our clients.

WCB Board Members

JoAnne Deneron
Chairperson (Fort Liard)
Appointed October 2, 1997 – Member
Appointed January 1, 1998 – March 31, 2002 – Chairperson

Metro Solomon
Public Interest Representative (Rankin Inlet)
Appointed January 1, 1999 – December 31, 2000

Tim Butler
Employer Representative (Yellowknife)
Appointed July 12, 1999 – July 11, 2001

Fernand Denault
Worker Representative (Yellowknife)
Appointed April 1, 2000 – March 31, 2001

Dan Halldorson
Public Interest Representative (Yellowknife)
Appointed April 1, 2000 – March 31, 2003

Alex Stuit
Worker Representative (Kugluktuk)
Appointed April 1, 2000 – March 31, 2002

Andy Wong
Employer Representative (Yellowknife)
Appointed April 1, 2000 – March 31, 2002

103-04125/

Letter of Transmittal

April 15, 2001

The Honourable Glenna Hanson
Commissioner of the Northwest Territories

The Honourable Peter Irniq
Commissioner of Nunavut

The Honourable Joseph L. Handley
Northwest Territories Minister Responsible
For the Workers' Compensation Board

The Honourable Kelvin Ng
Nunavut Minister Responsible
For the Workers' Compensation Board

In accordance with Subsection 61(2) of the NWT and Nunavut *Workers' Compensation Acts*, it is my pleasure to present the Annual Report of the Workers' Compensation Board for the year ending December 31, 2000, which includes audited financial statements.

Accompanying the financial statements is an actuarial opinion as to the reasonableness of the future pension and future claims liabilities, and the adequacy of the contingency reserve.

Yours truly,

JoAnne Deneron, Chairperson
Workers' Compensation Board
of the Northwest Territories and Nunavut

Report on 2000 Strategic Planning & Results

Report on **Strategic Planning & Results**

Each year, the WCB produces a five year Corporate Plan that outlines the future strategic direction for the workers' compensation system in the Northwest Territories and Nunavut. This plan is tabled annually in the Legislative Assemblies, in accordance with the *Financial Administration Acts*.

For the past few years, the WCB has focussed on the following, or very similar, six key strategies:

A. Workplace accidents reduced by five percent each year.
B. Eighty percent of clients satisfied.
C. Fully funded status maintained, while continuing to demonstrate leadership in assessment rates and benefit levels.
D. Comprehensive changes made to the *Workers' Compensation Acts* and policies, the *Safety Acts* and the General Safety Regulations.
E. Optimal solution achieved for service delivery in the two Territories by 2001.
F. Comprehensive performance measurement system implemented by 2002.

Following are some of the achievements of the WCB in 2000 with respect to each of these key strategies:

A. Workplace accidents reduced by five percent each year.

In October, 10 young people from the NWT and Nunavut attended a national Youth, Health and Safety Conference in Ottawa. The WCB supported this conference in order to raise awareness of health and safety issues with young workers.

The WCB partnered with contractors and project managers on government projects to prepare for the construction season.

In November, the WCB implemented the Prevention Services' Information System (PSIS), which integrates prevention data with the existing WCB claims and assessment systems. This allows the WCB to develop employer profiles, which assist Prevention Services' inspectors to track inspections, investigations, prosecutions, training and certifications. The WCB also initiated an Accident Statistics Measurement program to help measure and monitor safety performance.

B. Eighty percent of clients satisfied.

In May, the NWT and Nunavut Ministers Responsible for the Workers' Compensation Board agreed to introduce amendments to their respective Workers' Compensation Acts to increase the frequency with which appeals can be heard.

The WCB partnered with the NWT Literacy Council and the Northern Territories Federation of Labour to determine how we could communicate better with our

employers and workers. A rewrite of the Worker's Handbook was done as a pilot. The Northern Territories Federation of Labour provided focus groups to evaluate the effectiveness of each stage of the rewrite.

The WCB initiated a "teams project", involving representatives from the WCB's Prevention Services, Claims and Revenue divisions, to work with five key employers on ways to improve customer service and the accident experience of those employers. The WCB also established regular meetings with the WCB Coalition to discuss workers' issues.

C. Fully funded status maintained, while continuing to demonstrate leadership in assessment rates and benefit levels.

A strong financial position allowed the WCB to again reduce employer assessment rates, to an average rate of $1.05. This was the lowest average assessment rate in Canada.

The Board recommended, and the Ministers' Responsible for the WCB approved, an increase in the Year's Maximum Insurable Remuneration (YMIR) to $63,350, effective January 1, 2001, for both assessment and benefits purposes. This is the highest rate in Canada, and means that eighty-five percent of northern workers were fully compensated for lost wages in the event of a workplace injury.

D. Comprehensive changes made to the *Workers' Compensation Acts* and policies, the *Safety Acts* and the General Safety Regulations.

Work began on a comprehensive review of the *Workers' Compensation Acts* and the *Safety Acts* and General Safety Regulations. The review is being conducted by a Review Panel, appointed by the two Ministers responsible for the WCB. The Panel consists of a Chairperson and six members appointed by the two Ministers Responsible for the WCB. Two of the Panel members are Board members.

E. Optimal solution achieved for service delivery in the two Territories by 2001.

On April 1, 1999, the Northwest Territories was divided into two territories. An inter-governmental agreement, signed by the Government of the Northwest Territories (GNWT) and the Interim Commissioner of Nunavut, created a shared WCB until December 31, 2002. Both governments expressed interest in extending this agreement beyond December 31, 2002.

F. Comprehensive performance measurement system implemented by 2002.

The Board developed a balanced scorecard to manage and report on organizational performance. This scorecard allows the Board of Directors and Management to conduct quarterly reviews of the WCB's performance in four key result areas: stakeholders, economics, compliance and "being a high performing organization".

Management's Responsibility for Financial Reporting

March 30, 2001

Management's Responsibility for Financial Reporting

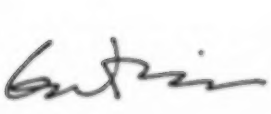
Management of the Workers' Compensation Board is responsible for the preparation, integrity and objectivity of the financial statements and related information presented in this Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles, and have been approved by the Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgements based on careful consideration of information available to management.

Management has developed and maintains books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations, the Northwest Territories and Nunavut *Financial Administration Acts* and regulations, and policies of the Board. The Board of Directors ensures that management fulfils its responsibilities for financial reporting, internal control and safeguarding assets.

The Board of Directors appoints certain of its members to serve on the Finance Committee. This Committee oversees management's responsibilities for financial reporting, and reviews and recommends the financial statements to the Board for approval.

The Auditor General of Canada annually provides an independent, objective audit of the English and French versions of the financial statements for the purpose of expressing his opinion on these financial statements. He also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.

Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriateness of actuarial valuation of future claims and pension liabilities of the Workers' Compensation Board.



Gerry Meier
President

Paul Gard
Director, Financial Services

OFFICE OF THE AUDITOR GENERAL
AND THE
COMMISSIONER OF THE ENVIRONMENT
AND SUSTAINABLE DEVELOPMENT

CANADA

BUREAU DU VÉRIFICATEUR GÉNÉRAL
ET DU
COMMISSAIRE À L'ENVIRONNEMENT
ET AU DÉVELOPPEMENT DURABLE

AUDITOR'S REPORT

To the Ministers of the Workers' Compensation Board
of Northwest Territories and Nunavut

I have audited the balance sheet of the Workers' Compensation Board of Northwest Territories and Nunavut as at December 31, 2000 and the statements of operations, reserves and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Northwest Territories and Nunavut *Financial Administration Acts*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Board, and the financial statements are in agreement therewith and the transactions of the Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the Northwest Territories and Nunavut *Financial Administration Acts* and regulations and the Northwest Territories and Nunavut *Workers' Compensation Acts* and regulations.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 30, 2001

Workers' Compensation Board – Northwest Territories and Nunavut

Balance Sheet

as at December 31, 2000
(thousands of dollars)

ASSETS	2000	1999
Cash and short-term investments (note 3a)	$ 2,907	$ 3,769
Assessments receivable	768	1,367
Accrued interest receivable	3,847	3,837
Other accounts receivable	1,857	1,303
Investments (note 3b)	248,082	236,986
Property and equipment (note 4)	4,888	4,994
	$ 262,349	**$ 254,456**
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,343	$ 1,791
Lease obligations payable (note 5a)	2,859	3,067
Assessments refundable	1,295	1,731
Benefits liability (note 6)	182,693	166,482
	$ 189,390	**$ 173,061**
RESERVES		
Catastrophe reserve	18,000	18,000
Safety reserve	225	225
Operating reserve	53,234	54,670
Special reserve	1,500	8,500
	72,959	81,395
	$ 262,349	**$ 254,456**

CONTINGENCIES (note 9)

Approved by Management:

President

Director, Financial Services

Approved by the Board of Directors:

Chairperson, Finance Committee

The accompanying notes form an integral part of the financial statements.

Workers' Compensation Board – Northwest Territories and Nunavut

Statement of Operations

For the year ended December 31, 2000
(thousands of dollars)

	2000	1999
REVENUES		
Investment revenue (note 3c)	$ 29,732	$ 28,920
Assessments	12,629	12,392
Recoveries	1,680	1,422
Other revenue	-	154
GNWT contribution	-	115
	$ 44,041	**$ 43,003**
EXPENSES		
Cost of claims (note 6)		
Current year's claims	$ 20,890	$ 18,494
Prior years' claims	10,095	1,250
Actuarial revaluation (note 7)	3,249	-
Re-instatement of Widow's benefits	6,852	-
Total Claims	**$ 41,086**	**$ 19,744**
Administration and general (schedule)	11,391	11,130
	$ 52,477	**$ 30,874**
INCOME (LOSS) FROM OPERATIONS	**$ (8,436)**	**$ 12,129**
TRANSFERS		
Transfer to catastrophe reserve	$ -	$ -
Transfer to safety reserve	-	-
Transfer to (use of) operating reserve	(8,436)	10,129
Transfer to special reserve	-	2,000
	$ (8,436)	**$ 12,129**

The accompanying notes form an integral part of the financial statements.

Workers' Compensation Board – Northwest Territories and Nunavut

Statement of Reserves

For the year ended December 31, 2000
(thousands of dollars)

	2000	1999
CATASTROPHE RESERVE		
Balance at the beginning of the year	$ 10,000	$ 10,000
Transfer from operations	-	-
Balance at the end of the year (note 2 & 9)	$ **10,0000**	$ **10,0000**
OPERATING RESERVE		
Balance at the beginning of the year	$ 54,670	$ 44,541
Transfer from (to) operations	(8,416)	10,129
Transfer from special reserve	7,000	-
Balance at the end of the year (note 2 & 9)	$ **53,254**	$ **54,670**
SAFETY RESERVE		
Balance at beginning of the year (note 2)	$ 225	$ 225
Transfer from, operations	-	-
Balance at the end of the year	$ **225**	$ **225**
SPECIAL RESERVE		
Balance at beginning of year	$ 9,500	$ 6,500
Transfer from operations	-	3,000
Transfer to operating reserve	(7,000)	-
Balance at the end of the year (note 2 & 9)	$ **2,5000**	$ **9,5000**

The accompanying notes form an integral part of the financial statements.

Workers' Compensation Board – Northwest Territories and Nunavut

Statement of Cash Flows

For the year ended December 31, 2000
(thousands of dollars)

CASH FLOW FROM OPERATING ACTIVITIES	2000	1999
Cash received from:		
Employers, for assessments	$ 13,742	$ 14,063
Investment revenue – short term	186	79
	$ 13,928	$ 14,144
Cash paid to:		
Claimants or third parties on their behalf	$ 20,997	$ 15,901
Suppliers, for administration and other goods and services	13,620	13,786
	$ 34,617	$ 29,687
Net cash provided by operating activities	$ (20,689)	$ (15,543)
CASH FLOW FROM INVESTING ACTIVITIES		
Transfers to investment managers	$ -	$ (947)
Transfers from investment managers	20,841	19,500
Purchases of capital assets	(634)	(547)
Net cash provided (used) by investing activities	$ 19,877	$ 16,006
Net increase (decrease) in cash and cash equivalents	$ (812)	$ 2,463
Cash and short term investments, beginning of year	3,769	1,306
Cash and short term investments, end of year	$ 2,957	$ 3,769

The accompanying notes form an integral part of the financial statements.

Workers' Compensation Board - Northwest Territories and Nunavut

Notes to Financial Statements

For the year ended December 31, 2000

1. Authority, Mandate and Operations

The Workers' Compensation Board (the Board) was established by, and is responsible for, the administration of the *Workers' Compensation Act*. Effective April 16, 1996, the Board also assumed responsibility for safety enforcement under the *Mine, Health and Safety Act*, the *Safety Act* and the *Explosives Use Act*. Effective April 1, 1999, the Board also assumed responsibility for the administration and enforcement of the *Workers' Compensation Act*, the *Health and Safety Act*, the *Safety Act* and the *Explosives Use Act* for the Government of Nunavut.

The mandate of the Board is to provide compensation for injury or death by accident arising out of, and in the course of, employment. Assessments required to meet the costs of compensation, pension awards and administration are levied upon employers on the basis of a percentage of their assessable payroll. In addition, the mandate of the Board includes accident prevention. The Prevention Services Division is responsible for developing safety awareness, and for monitoring safety in the workplace.

The *Nunavut Act* created the Nunavut Territory effective April 1, 1999, resulting in the division of the Northwest Territories. The Government of the Northwest Territories and the Interim Commissioner for Nunavut have signed an Inter-Governmental Agreement to allow the Workers' Compensation Board to remain as a single entity serving both territories until December 31, 2002.

2. Accounting Policies

The significant accounting policies are as follows:

(a) Investments

Equity investments are valued using a moving average market value method, using a five year amortization of gains and losses that arise on the sale of investments, or that arise as a result of changes in the market value of those investments.

Fixed term investments are recorded at cost at the time of purchase. The realized gain or loss on the sale of an investment is amortized over the remaining period to maturity of the investment, based on the average period for these securities disposed of during the year. For pooled funds, the amortization period is five years.

Investments denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income is translated at the rate in effect at the time of receipt.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are amortized into investment income over a five year period.

Notes to Financial Statements

For the year ended December 31, 2000

The Board's international investment manager uses derivative financial instruments to manage operating exposure to foreign exchange fluctuations. These contracts are carried on a market value basis. Premiums paid or received on these instruments are treated as revenue at the time of purchase. Net receipts or payments are recognized as income on an accrual basis in the same period and the same financial statement category to which the contract is related.

(b) Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful life under the straight-line method as follows:

• Furnishings	10 years
• Equipment	5 years
• Leasehold improvements	Over the term of the lease
and office space (leased)	8 years
• Computer Software	

Assets recorded as capital leases are amortized on the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments, net of imputed interest.

(c) Administration and General Expenses

A portion of administration and general expenses is allocated as claims management costs between current years' claims and prior years' claims, based on the proportion of claims expenditures processed. The costs allocated are the direct costs related to the managing of claims, pensions and rehabilitation services.

(d) Benefits Liability

The Benefits Liability is estimated annually using an actuarial valuation and is comprised of:

i. the future pension liability, which represents the present value of future payments in respect of approved pension awards;

ii. the future claims liability, which represents the present value of future payments in respect of medical aid benefits, compensation payments and the capitalized value of future pension awards for all claims arising from accidents occurring prior to the end of the fiscal year; and

iii. provision for claims management expenses, at 35% of the future claims liability, 9% of the future pension liability, and 21% for the Hunters and Trappers benefits liability.

Notes to Financial Statements

For the year ended December 31, 2000

Many assumptions are required in the calculation of the liability, including estimates of future inflation, interest rates and mortality rates. The amount of liability is determined on a basis which allows for future inflationary increases by using a discount rate of 3.5% per annum. Actual claims expenses are not predictable with certainty and, accordingly, may vary from the actuarial valuation of the liability.

(e) Funding Policy

The Funding Policy of the Board is to maintain both the future pension liability and the future claims liability at a fully funded level at each year end.

(f) Catastrophe and Operating Reserves

The Catastrophe and Operating Reserves are maintained to provide a margin of protection against adverse financial experience which could unduly burden future employers. The Catastrophe Reserve was created by the Board of Directors, whereas the Operating Reserve was created by the *Workers' Compensation Act*. Such adverse experience could arise in respect of the following risk:

i. disasters and catastrophes;

ii. lower than expected investment results; and

iii. other unanticipated events such as lower than anticipated assessment revenues or higher than anticipated claims costs.

Assessment rates are adjusted to bring the Operating Reserve to its target level over a period of between two years and 10 years, depending on the margin by which the Operating Reserve is above or below the target range.

(g) Safety Reserve

The Board is retaining $225,000 of assessments raised by the SIRR program (in effect from January 1, 1996 to December 31, 1998) in the Safety Reserve. These funds will be used in future years to deliver safety programs.

(h) Special Reserve

In addition to the Catastrophe and Operating Reserves, the Board is maintaining a special reserve of $1,500,000 for the one time impact of events such as division of the Territories.

Notes to Financial Statements

For the year ended December 31, 2000

(i) Employee Future Benefits

Employees participate in the Public Service Superannuation Plan, (the Plan) which is administered by the Government of Canada. The Board's contributions to the Plan have been limited to an amount equal to the employees' contributions on account of current services. Effective April 1, 2000, the Board's contributions increased to an amount reflecting the full cost of the employer contributions. This amount, expressed as a percentage of employee contributions, will fluctuate from year to year, depending on the experience of the Plan. The Board's contributions represent the total pension obligations of the Board, and are charged to operations on a current basis. The Board is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. The Board's current year's pension expense is $624,994 (1999 - $377,410).

The Workers' Compensation Board of the Northwest Territories and Nunavut is required to recognize certain non-pension post-employment benefits over the periods in which employees render services to the corporation. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Board recognizes the cost of future severance benefits over the periods in which the employees render services to the entity, and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(j) Assessments Revenue

Current year revenues are estimated at year end, based on actual payrolls submitted by employers. Adjustments to assessment revenues are accounted for in the year received. An allowance is included in assessments, refundable for potential adjustments of current and prior years' payrolls.

3. Investments

(a) Cash and Short-Term Investments

The Board invests in the short-term money market. The overall yield of this portfolio is 5.68% at December 31, 2000 (1999 - 5.0%). All instruments held in short term investments are in high quality debt obligations issued or guaranteed by Canadian, Provincial or Territorial governments, or Canadian Chartered banks, Loan or Trust companies registered in Canada.

The Board's investment policy limits investment in cash and short term investments to a maximum of 10% of the total investment portfolio. Included is Cdn $438,947 (1999 - $88,725) in foreign currencies. Fair value approximates carrying value, due to their short term nature.

Notes to Financial Statements

For the year ended December 31, 2000

(b) Long-Term Investments

	2000		1999	
	(thousands of dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed term investments				
Indexed funds	$ 93,807	$ 92,335	$ 96,899	$ 94,466
Other	53,289	56,492	51,682	53,547
	147,096	148,827	148,581	148,013
Equity investments	99,510	128,430	87,154	119,650
Investments maturing within one year	1,476	1,476	3,251	3,251
TOTAL	**$ 248,082**	**$ 278,733**	**$ 238,986**	**$ 270,914**

Included in the carrying values are unamortized gains of $30,868,007 for 2000 (1999 - $37,589,968).

Fair values for equity investments and marketable fixed term investments are the closing values (market value) on the appropriate exchange at December 31.

Workers' Compensation Board - Northwest Territories and Nunavut

Notes to Financial Statements

For the year ended December 31, 2000

(c) Investment Revenue

	2000		1999	
	(thousands of dollars)			
	Interest/ Dividends	Gains/ (Losses)	Interest/ Dividends	Gains/ (Losses)
Fixed term investments	$ 9,350	$ 2,719	$ 9,608	$ 2,826
Equity investments	2,272	15,929	1,859	15,253
Investments maturing within one year	324	-	223	-
TOTAL	$ 11,946	$ 18,648	$ 11,690	$ 18,079
Total Investment Revenue		$ 30,594		$ 29,769
Less: Investment fees		(1,048)		(928)
Add: Interest on cash and short term investments		186		79
Total Investment Revenue		$ 29,732		$ 28,920

Investments are managed by the Board's external investment managers. The market yield of the portfolio (as provided by our performance measurement service) is as follows:

	2000	1999
Fixed term investments	10.4%	-1.3%
U.S. equities	6.7%	-2.3%
International equities	-4.6%	27.1%
Canadian equities	25.7%	23.9%

Notes to Financial Statements

For the year ended December 31, 2000

(d) Investment Policies

The Board's investment target and actual asset mix at December 31 is as follows:

	(Fair Value)		Actual	
	Maximum	Minimum	2000	1999
Fixed term (including cash & short term)	55%	45%	52.9%	54.1%
Canadian equities	25%	15%	20.3%	21.8%
U.S. equities	15%	5%	10.4%	10.2%
Non-Canadian and U.S. equities	20%	10%	14.9%	11.7%
Cash and short term (includes Investments maturing in one year)	10%	0%	1.6%	2.2%

Credit Risk Management

Credit risk on financial instruments arises from the possibility that the issuer of a fixed-term instrument fails to meet its obligations. Therefore, short term investments will have a minimum credit rating of A-1 or its equivalent. Fixed income of a longer term will have a minimum credit rating of A or its equivalent. These ratings are performed by an independent rating service.

Interest Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed income portfolio. Interest rate risk is minimized by managing the duration of the fixed income portfolio.

The maturity periods of the indexed fixed income portfolio will closely approximate that of the Scotia McLeod Universe (SMU). The maturity periods of the (other) fixed income portfolio as at December 31, 2000 are as follows:

	Fair Value (thousands of dollars)
One to five years	$ 25,627
Five to ten years	12,611
Over ten years	18,254
	$ 56,492

Workers' Compensation Board - Northwest Territories and Nunavut

Notes to Financial Statements

For the year ended December 31, 2000

Foreign Currency Balances

The Board has investments denominated in foreign currencies. In addition, the Board has derivative financial instruments (DFI) denominated in various currencies. The purpose for these financial instruments is to optimize the yields for the Board, while sustaining acceptable levels of risk due to foreign currency exposure.

The only derivative financial instruments used are forward foreign exchange contracts, which all mature within 90 days of the year end. The total unrealized gains at December 31, 2000 are $48,035 (1999 - loss of $30,696), which are included in gains and losses of the corresponding investments, in accordance with the Investment Policy (note2(a)). The following chart shows where the Board has exposure to foreign currency risk:

	(thousands of dollars)			
CURRENCY	Total Investments in $Cdn (fair value)	DFI	2000 Net Exposure	1999 Net Exposure
United States dollar	$ 29,730	$ -	$ 29,730	$ 28,348
Australian dollar	1,326	-	1,326	1,199
Danish krone	172	-	172	198
French franc	-	-	-	-
Deutsche mark	-	-	-	-
Hong Kong dollar	1,258	-	1,258	662
Italian lira	-	-	-	-
Japanese yen	5,759	(933)	4,826	5,881
Malaysian ringgit	-	-	-	-
Mexican peso	-	-	-	-
Netherlands guilder	-	-	-	-
New Zealand Dollar	-	-	-	56
Phillipine peso	-	-	-	-
Portuguese escudo	-	-	-	-
Pound sterling	11,993	-	11,993	7,434
Singapore dollar	406	-	406	762
Spanish peseta	-	-	-	-
Swiss franc	4,732	-	4,732	2,886
Swedish Krona	422	-	422	153
Thailand baht	-	-	-	-
Euro Currency	15,734	-	15,734	10,638
Totals	**$ 71,532**	**$ (933)**	**$ 70,599**	**$ 58,217**

Notes to Financial Statements

For the year ended December 31, 2000

4. Property and Equipment

	2000		1999	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	(thousands of dollars)			
Furnishings/Equipment	$ 1,852	$ 1,035	$ 1,625	$ 814
Computer Software	596	80	261	-
Leasehold improvements	2,564	969	2,540	791
Office space - Leased	4,242	2,282	4,242	2,069
	$ 9,254	$ 4,366	$ 8,668	$ 3,674
Less accumulated amortization	(4,366)		(3,674)	
Net Book Value	$ 4,888		$ 4,994	

5. Leases

(a) Capital Lease Obligation

The Board is committed to payments of $435,765 per annum under an office space lease agreement, which is based on an implicit interest rate of 8% and expires in 2010. The Board is also responsible for a proportional share of operating and maintenance expenses, based on its share of space occupied. Fair value approximates carrying value of the liability.

	(thousands of dollars)
Nominal Value of Payments	$ 4,067
Less: Imputed interest at 8%	(1,208)
Lease Obligation	$ 2,859

(b) Operating Lease

The office space lease agreement was amended in 1996 to add office space in the same building. The costs for the additional space are treated as an operating lease in the financial statements, as the lease is for a five-year term with no guaranteed renewal payments. The Board is committed to payments of $152,588 per annum until August 13, 2001. The Board is also responsible for a proportional share of operating and maintenance expenses, based on its share of space occupied.

The Board acquired office space in Rankin Inlet and Iqaluit in 1998.

The office space lease agreement for Rankin Inlet is treated as an operating lease, as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $87,996 per annum until June 30, 2003.

The office space lease agreement for Iqaluit is treated as an operating lease, as the lease is for a five-year term with an option for renewal at prevailing market rent for an additional five-year term. The Board is committed to payments of $81,183 per annum until July 31, 2003.

Notes to Financial Statements

For the year ended December 31, 2000

6. Benefits Liability

	2000					1999
	(thousands of dollars)					
	Medical Aid	Compensation	Pension Capitalization	Pension Awards	Total	Total
Balance, Beginning of Year	$ 17,157	$ 15,394	$ 23,860	$ 110,071	$ 166,482	$ 166,218
Claims Expenses						
Current year	4,524	6,958	6,607	2,801	20,890	18,494
Prior years	2,402	(38)	937	6,794	10,095	1,250
Liability transfer - capitalizations	-	-	(9,681)	9,681	-	-
Actuarial revaluation	2,187	2,222	238	(1,398)	3,249	-
Re-instatement of Widows' Benefits	-	-	3,999	2,853	6,852	-
Recoveries from third parties	-	308	-	-	308	223
	$ 26,270	$ 24,844	$ 25,960	$ 130,802	$207,876	$ 186,185
Less: Claims payments made						
Current year injuries						
Claims payments	863	1,467	-	-	2,330	2,086
Claims management	228	387	-	-	615	2,593
Prior years' injuries						
Claims payments	2,997	2,997	-	12,978	18,972	14,118
Claims management	1,049	1,049	-	1,168	3,266	986
	$ 5,137	$ 5,900	$ -	$ 14,146	$ 25,183	$ 19,703
Balance, End of Year	$ 21,133	$18,944	$ 25,960	$ 116,656	$182,693	$ 166,482

Notes to Financial Statements

For the year ended December 31, 2000

7. Actuarial Valuation

(a) The Benefits Liability is reviewed annually by an independent actuary. The opinion on the adequacy and appropriateness of the actuary's valuation of the future claims and pension liabilities as at December 31, 2000 is attached to these Financial Statements.

(b) Changes in the methods and assumptions employed by the actuary for the valuation of the future claims liability and the future pension liability at December 31, 2000 resulted in an aggregate increase in the liabilities of $3,249,000. This amount is included in the figures above.

8. Catastrophe and Operating Reserve

The Board is fully funded at the end of 2000 to meet its obligations for the future pension and future claims liability.

The target level for the Catastrophe Reserve, set by the Board, provides for the average cost of a disaster. The target level of the reserve at the end of 2000 is $18,000,000 (1999 - $18,000,000).

The target level for the operating reserve is based on a number of factors relating to the financial risks which could impact on the financial position of the Board. A range of 75% to 125% of the target level has been set as a target range. The target level at the end of 2000 is $4,947,999, and the target range is $3,710,324 to $6,183,873 (for 1999, target level was $ 4,616,153)

The funding policy of the Board provides for discounts on assessment rates when the Operating Reserve exceeds its target range. In both 2000 and 1999, a discount of 35% was applied to assessment rates.

9. Contingencies

(a) Legal Claims

The Board has a number of legal claims outstanding for recovery of compensation expenses from third parties. These claims are not recorded in the accounts because of their contingent nature. In the opinion of management and the Board's legal representatives, it is expected that the Board could recover approximately $ 237,288 (1999 - $465,887). Settlement of legal claims are recognized in the year in which the settlement occurs. Legal claims settled during 2000 resulted in recoveries of $307,546 (1999 - $223,335).

The Board has commenced an action against third parties as a result of the deaths of nine miners in an explosion on a worksite. At this time, potential recoveries cannot be determined.

The Board is in the process of reviewing an appeal made with regard to an overpayment of assessments. While this liability is not recorded on the Financial Statements, due to the uncertain nature, the amount has been estimated at $978,000.

Notes to Financial Statements

For the year ended December 31, 2000

10. Related Party Transactions

(a) The following table summarizes the Board's assessments revenue from related parties entered into in the normal course of operations in 2000.

	2000	1999
	(thousands of dollars)	
Government of the Northwest Territories	$ 633	$ 819
Public Agencies	$ 156	$ 187
Government of Nunavut	$ 569	$ 270

(b) The Government of the Northwest Territories provided a reimbursement to the Board for hunters and trappers claims of $649,911 (1999 – $1,003,998). The Government of Nunavut provided a reimbursement to the Board for hunters and trappers claims of $765,346 (1999 – $418,295).

(c) On April 16, 1996, the Government of the Northwest Territories transferred responsibility for the administration and enforcement of the *Safety Act*, *Explosives Use Act*, and *Mine Health and Safety Act* from the Government of the Northwest Territories to the Board.

Under the terms of the Intergovernmental Agreement for a shared Workers' Compensation Board, the Workers' Compensation Board administers and enforces the above Acts for the Government of the Northwest Territories and Government of Nunavut, effective April 1, 1999. The Agreement covers the period to December 31, 2002, unless extended under the terms of the Agreement.

(d) The Board's investments include bonds (at market value) of:

	2000	1999
	(thousands of dollars)	
Northwest Territories Power Corporation		
11.00%, maturing March 9, 2009	$ 631	$ 618
11.125%, maturing June 6, 2011	$ 1,318	$ 1,269
9.375%, maturing May 12, 2014	$ 1,161	$ 1,151
Northwest Territories Legislative Assembly Building Society 13.04% Series A, maturing August 31, 2013	$ 537	$ 528

(e) In addition to those related party transactions disclosed elsewhere in these financial statements, the Board is related to all Government of the Northwest Territories and Government of Nunavut-created departments, agencies and Crown Corporations. The Board enters into transactions with these entities in the normal course of business.

Workers' Compensation Board – Northwest Territories and Nunavut

Schedule of Administration and General Expenses

For the year ended December 31, 2000

	2000	1999
	(thousands of dollars)	
Salaries, wages and allowances	$ 7,046	$ 7,014
Professional services	2,380	2,184
Office lease and renovations	1,048	1,075
Travel	1,289	1,122
Employer's share of benefits	1,148	840
Amortization office space/leasehold	390	380
Board Members	379	378
Communications	403	381
Amortization furnishings and equipment	329	257
Office services and supplies	304	352
Office furnishings and equipment (non-capital)	219	249
Advertising and public information	203	171
Grants	106	288
Miscellaneous	23	69
Computer lease and services	5	8
	$ 15,272	$ 14,708
Less:		
Allocations to claims management	3,881	3,578
	$ 11,391	$ 11,130

Hewitt

Workers' Compensation Board – Northwest Territories and Nunavut
Actuarial Opinion as at December 31, 2000

Hewitt Associates has been appointed by the Workers' Compensation Board of Northwest Territories and Nunavut (the Board) to value the liabilities for future claim payments (Benefits Liability) in accordance with the **Workers' Compensation Act, N.W.T. 1988**.

This valuation is intended for use in preparing the Board's balance sheet at December 31, 2000 and has been performed in accordance with accepted actuarial practice. We are aware that the Auditor General intends to rely on the results of this valuation in conducting the audit of the Board's financial position.

As more fully described in our report dated March 16, 2001;

- the methods are the same as used in the previous valuation;
- the assumptions have been updated to reflect emerging experience;
- the valuation makes provision for all benefit obligations of the Board, including future indexing adjustments and future claims management expenses; and
- we are not aware of any subsequent events that would materially impact this valuation.

In our opinion the Benefits Liability at December 31, 2000 of $182,693,000 makes appropriate provision for the Board's benefits obligations.

Respectfully submitted for
HEWITT ASSOCIATES

J. Allan Brown
Fellow of the Canadian Institute of Actuaries

Vancouver, March 16, 2001

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